



# Memorandum

**TO:** COMMUNITY AND ECONOMIC  
DEVELOPMENT COMMITTEE

**SUBJECT: ECONOMIC STRATEGY  
WORKPLAN**

**FROM:** Nanci Klein

**DATE:** January 8, 2015

Approved

Date

1/15/15

**COUNCIL DISTRICT: CITY WIDE**

## **RECOMMENDATION**

Accept staff's report on the accomplishments of the Economic Strategy workplan for the January 2013-December 2014 period.

## **BACKGROUND**

On April 4, 2010, City Council adopted the Economic Strategy 2010-2015, which was intended to align City staff and other resources in a common direction to:

1. Aggressively regain jobs and revenue as the national economy recovers (Strategic Goals #1-6); and
2. Create an outstanding business and living environment that can compete with the world's best cities over the long term (Strategic Goals #7-12)

Since 2010, the Council has adopted three 18-24 month workplans that identified the specific action items staff will undertake to implement the Economic Strategy.

Council adopted the most recent workplan on April 16, 2013 and identified the "Top Five" workplan priorities that staff should spend 80% of their time pursuing (Exhibit A).

## **ANALYSIS**

In addition to providing services and responding to the needs of the business and development communities, the Departments that comprise the Community and Economic Development CSA have worked together collaboratively to advance the City Council's priorities related to the Economic Strategy, through the implementation of three 18-24 month workplans. Both individually and cumulatively, the work of these Departments on implementing the workplans has resulted in significant and tangible successes for San Jose and the local economy.

This memorandum outlines many of the successes achieved through the latest workplan, as well as reviews the cumulative accomplishments across the entire five-year Economic Strategy. The memorandum also outlines staff's plan to further refine and focus their work in order to continue these efforts.

### **Major Workplan Accomplishments**

Since its adoption in April 2013, staff has worked diligently to implement the most recent workplan for the Economic Strategy. A complete list of the adopted action items with their current status is attached as Exhibit A. Below are some of the highlights and accomplishments that have occurred as part of this interdepartmental collaborative work:

- Staff successfully implemented a targeted Business Outreach program to reach over 500 major corporates, high-growth emerging technology and driving industry businesses, large format and local retailers, and a variety of start-ups and small businesses. This work has been focused on retention, expansion, and relocation of businesses within key activity hubs and has included work with companies including: Electric Cloud, Dice.com, Apigee, Cisco, Qualcomm, IBM, Vander-bend Manufacturing, ASML, and Flextronics.
- Between the Special Tenant Improvement (STI) Program and Industrial Tool Installation Program, the City's Building Division has issued permits for over 340 projects. This has resulted in the improvement of approximately 3.5 million square feet of space across the City, valued at over \$192 million. Notable projects include: the Stanford South Bay Cancer Center, Samsung, Cisco Data Center, IBM-Silicon Valley Lab, Equinix, Apigee, Ernst & Young, Quantumscape Labs, and various market ready campus upgrades including Divco-MWest, TMG-West Tasman Campus, Boston Properties, Legacy Partners, and Sobrato offices.
- Signed a lease to accommodate the United States Patent and Trademark Office's Silicon Valley Regional Satellite office in San Jose City Hall
- Modified the City's Foreign Trade Zone program to provide greater flexibility and usage through the Alternative Framework designation, reducing the time and cost to receive approval
- Extended temporary suspension of Construction taxes for Office R&D and other industrial uses until 2016, lowering the tax rate from 4.5% to 1% of valuation
- Encouraged major campus developments in North San Jose by implementing an additional temporary reduction of the North San Jose Traffic Impact Fee from \$13.56 per square foot to \$2 per square foot until December 31, 2015
- Spurred new development in the Downtown and created a pipeline of over 3,000 residential units through the implementation of a comprehensive incentive for high-rise projects including a fee deferral and park fee reductions to allow for additional development
- Continued to utilize the Downtown Parking Incentive Program to capture new businesses to the Downtown. This program has been essential attracting "big fish" companies to the Downtown, including Apigee, Loring Ward and the Mercury News.

- Developed and renewed a park-let pilot program allowing for the expansion of sidewalk cafes into the public right of way
- Received grant funding from the Knight Foundation to leverage City resources to launch, “Summer in St. James.” This short-term activation strategy was a public-private partnership aimed at activating the park and engaging the Downtown community to utilize the park.
- Completed the Diridon Station Area Plan and certified the associated Environmental Impact Report
- Developed and launched Small Business Ignite with Silicon Valley Talent Partnership aimed at bringing private sector partners to assist and teach small businesses in the areas of business plans, finances and marketing
- Launched the Business Coaching web site, helping small businesses understand the development process and estimating fee and taxes from development
- Approved a 50-year ground lease and broke ground with Signature Flight Support for its \$82 million fixed base operation (FBO) facility on the Westside of the Airport campus
- Installed three miles of bike lanes and numerous pedestrian improvements. In addition, 150 public bikes are available from fifteen stations in the Downtown San Jose area as part of Bay Area Bikeshare.
- Facilitated new retail investment throughout San Jose by supporting and facilitating major entitlement projects including Arcadia Almaden/85 and Evergreen, and helping to expand existing and attract new retail tenants including Target, Costco, Bass Pro Shops and Bloomingdales
- Coordinated 320 cultural and sporting events city-wide, including signature sporting events such as the Rock ‘n’ Roll Half Marathon and the Amgen Tour of California as well as neighborhood street festivals, farmers markets, and fun runs

### **Highlights Over the Last Five Years**

The Economic Strategy adopted in 2010 set some bold direction for the City. At the time the Strategy was adopted, the local economy was just beginning to come out of one of the worst recessions on record.

The successful implementation of the Economic Strategy requires resources across departments in order to focus work on growing the economy and creating a vibrant community. Through the combination of new program development, creative policy making, public private partnerships and new financing tools, City staff made significant strides in supporting an entrepreneurial environment.

The cumulative impact of this work contributed to the continued growth that San Jose has experienced over the past five years. This includes more jobs for more people, lower unemployment, and lower vacancy rates in our employment lands. It has also resulted in the continued evolution of the physical environment with the reinvestment into older industrial buildings to cater to the modern workforce, the creation of new neighborhoods close to driving

industry jobs in North San Jose, and the emergence of Downtown as the urban core of the South Bay and Silicon Valley.

	2010 Indicators	2014 Indicators	Change
Jobs	351,215	384,000 <sup>1</sup>	↑ 32,785
Population	945,942	1,000,536	↑ 54,594
Unemployment	11.5%	5.7% <sup>2</sup>	↓ 5.8%
Office Vacancy Rate	18.4%	15.6% <sup>3</sup>	↓ 2.8%

*Through calendar Year 2013<sup>1</sup>, November 2013<sup>2</sup>, 3<sup>rd</sup> Quarter 2014<sup>3</sup>*

The successes represented below demonstrate that economic development is truly a citywide business and that as an organization we need to be focused, responsive, adaptable and speedy. In addition to the previous highlights from the most recent period, below is a brief compendium of successes that the Community and Economic Development team have accomplished over the last five years.

#### **Business Development:**

- Assisted with the following relocations, expansions and new openings: 8x8, Bestronics, Move.com, Orbotech, Wrightspeed, Teos, TechShop, Intermolecular, PricewaterhouseCoopers, Super Micro Computer, Microchip technologies, Flextronics, Sunpower, Synaptics, Netflix, Aerotek, Broadcom, and Qualcomm, Equinix Data Center, Shocking Technologies, Kovio, Spidercloud, Sunpods, Samsung, Maxim Integrated, Barracuda Networks, Xicato, Zoll Circulation, Electric Cloud, Dice.com, Apigee, Qualcomm, IBM, Vander-bend Manufacturing and Edgewater Networks
- Processed over 1,250 STI/ITI projects including Adobe, Advantest, Apigee, Apple, Cisco, Continuum, Edgewater networks, Flextronics, Hitachi GST, Lam Research, LSI, Microsemi, Nimble Storage, Oracle, Polycom, Qualcomm, Quantumscape, Synaptics, Valin, Xicato and Zoll Circulation
- Approved seven net new tax reimbursement agreements with companies expanding and relocating into San Jose, resulting in 2,160 jobs at most recent count
- Developed a public-private partnership called the Silicon Valley Manufacturing Roundtable to support the local manufacturing environment
- Made San Jose's Office/R&D real estate more competitive through clarifications to the municipal code which resulted in effective reductions in construction taxes for tenant improvements. The lowering of fees facilitated new investment in San Jose for tenants including IBM, Silicon Valley Center, Synaptics, Flextronics, Polycom, and Move.com.
- Launched ProspectSV, a 501(c) (3) non-profit created to develop opportunities for driving industry companies by providing commercialization and demonstration partnerships

- Assisted attraction and opening of significant new retail offerings, including Whole Foods, Target, Lunardi's, Fresh and Easy, Dollar Tree, Big Lots, Harbor Freight, Capitol Chevrolet, Capital Kia, Capitol Fiat, Tesla showroom, Capitol Mazda, Capitol Honda, Almaden Ranch Retail, Westfield's Valley Fair and Oakridge mall renovations and Santana Row expansion

### **Physical Environment:**

- Began implementation of the Envision San Jose 2040 General Plan with the development of Urban Village Plans including the Diridon Station Area, Five Wounds Neighborhood, The Alameda, Bascom Avenue, San Carlos Street, and Stevens Creek Boulevard
- Established the Development Services Project Manager to help facilitate the development review process
- Completed the Enhanced Development Plan Check submittal for Public Works, which now has become a model for Development Services to implement
- Made modifications to the North San Jose Area Development Policy to attract new development and investment in industrial and commercial properties
- Reduced construction taxes for downtown high rises resulting in two high rise residential towers under construction
- Brought forward amendments to the Municipal Code resulting in streamlined processing for a variety of businesses, alignment of the Zoning Ordinance with the Envision San Jose 2040 General Plan, deregulation of farmer's markets, and other sign code updates for electronic signage, and simplification of special events permitting
- Facilitated the development of the San Pedro Square Urban Market
- With a \$200,000 grant award from the Small Business Administration, developed a Business Coaching website and calculator to streamline and clarify permitting and licensing processes for small businesses

### **Amenities and Services:**

- Secured a seat on the Metropolitan Transportation Commission (MTC), the Bay Area's federally designated metropolitan planning organization
- Completed the final major elements of the \$1.3 billion Terminal Area Improvement Program well ahead of schedule and under budget by \$150 million
- All Nippon Airways (ANA) launched the Tokyo Narita-San Jose flight. Additional services have been added by Hawaiian Airlines, Southwest Airlines, and Alaska Airlines.
- Approved a 50-year ground lease and broke ground with Signature Flight Support for its \$82.0 million fixed base operation (FBO) facility on the Westside of the Airport campus
- Launched Bikeshare in San Jose, with 15 initial bike share stations and 150 bikes distributed throughout the downtown

- Completed the Convention Center renovation and expansion with \$120 million in bond sales
- Worked closely with local agencies to support BART's first phase of construction to Berryessa
- Supported SPUR in opening their Downtown San Jose office
- Continued to support and promote major events in San Jose, including the Rock N Roll Half Marathon and Tour of California
- Facilitated and supported the construction of the new 18,000 seat San Jose Earthquakes stadium
- Established a Green Cadre program that exposes low-income, at-risk youth to careers in the Green Economy
- Established a pre-apprenticeship training program with Evergreen Community College and the South Bay Labor Council to prepare youth and adults for careers in construction and the trades

### **Going Forward**

The major themes of the Economic Strategy are still appropriate to direct our work going forward. Rather than embarking on a process to develop a new Economic Strategy, staff intends to work with the Committee to review, refine, and refresh the current strategy in the February-April period in order to develop a workplan for the next 18-24 months. A key consideration should be how the Economic Strategy supports the implementation of the City's highest-level policy document, the Envision San Jose 2040 General Plan.

In order to provide the Committee members the opportunity to give feedback on staff's ongoing work, we will be returning with three subsequent items for the February, March and April meetings. Staff will take this opportunity to give the Committee a deeper perspective on the current strategies by breaking them into three general areas: business development and our interactions with the private sector, place and area-based initiatives, and the role of the City services, infrastructure and amenities.

### **EVALUATION AND FOLLOW-UP**

Staff will provide specific topical updates on the direction of work by category over the next several CED Committee meetings.

#### **February 2015**

Economic Strategy: Business Development. Provide information to the Committee on business retention, expansion, attraction and initiatives underway in 2015, including support for driving industries and small businesses

March 2015

Economic Strategy: Place-based Initiatives. Provide information to the Committee on place specific initiatives and priorities in 2015, primarily focused on Downtown, Diridon Station Area, North San Jose and neighborhood business districts

April 2015

Economic Strategy: Role of the City. Provide information to the Committee on various initiatives and programs currently underway where the City and business community intersect, including infrastructure, amenities and services

**COORDINATION**

The Economic Strategy workplans have been coordinated with the Department of Planning, Building, and Code Enforcement; Department of Transportation, Public Works, Airport, Environmental Services Department, and Housing Department.

**CEQA**

Not a Project, File No.PP10-066 (a), Staff Report

/s/  
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For questions, please contact John Lang, Chief Economist, at (408) 535-8178



**Economic Strategy  
Implementation Workplan  
(January 2013-December 2014)  
\*Top Priority Initiatives**

Action	Team	Progress (Completed, On-Going, In Progress)
<b>#1 Encourage Companies and Sectors that Can Drive the San Jose/Silicon Valley Economy and Generate Revenue for City Services and Infrastructure</b>		
<b>1.a* Through the City's ongoing Business Outreach, incorporate focused retention and expansion visits with companies located within, or appropriately suited to location in, key activity hubs</b>	OED	On-going
1.b Partner with local companies, associations, and agencies to identify unique attributes and actively promote activity hubs as important locations in Silicon Valley	OED/	On-going
<b>1.c* Promote the key attributes of areas experiencing significant development to businesses looking to expand in or move to San Jose, the brokerage community, and property owners and developers working in the area</b>	PBCE/OED	On-going
<b>#2 Develop Retail to Full Potential, Maximizing Revenue Impact and Neighborhood Vitality</b>		
<b>2.a* Advance destination retail projects on existing sites through the planning stage, including Almaden Ranch, Evergreen Arcadia, and Hitachi Cottle Road</b>	OED	In Progress
<b>2.b* Continue to support retail and small businesses in Downtown and Neighborhood Business Districts through a combination of the Empty Storefront Program and targeted and direct outreach</b>	OED/Development Services	On-going
<b>#3 Preserve and Strengthen Manufacturing-Related Activity and Jobs</b>		
<b>3.a* Preserve the diversity of industrial lands and viability of facilities that support manufacturing and adopt an ordinance that protects the manufacturing rights of existing industrial land uses from encroaching incompatible uses</b>	PBCE	On-going
3.b Develop a long-term freight access plan, including trucking and rail, to support the City's key employment areas	PBCE/DOT/OED	On-going
3.c Help forge connections between manufacturing service companies and emerging hardware start-ups to help facilitate the commercialization of new products and the sustainable growth of local companies	OED	On-going
<b>#4 Nurture the Success of Local Small Businesses</b>		
4.a Actively promote BusinessOwnerspace.com (BOS) as the core element of San Jose's small business support strategy	work2future	On-going
4.b Provide support and services for creative industries and entrepreneurs through the role out of the Creative Industries Incentive Fund	OCA	On-going
4.d Successful launch of the new business permitting portal and explore future opportunities for expansion to additional uses	OED/Development Services/Housing/Finance	Complete



4.e Continue to forge partnership opportunities with other local associations and agencies to interact, support and assist small businesses	OED	On-going
<b>#5 Increase San Jose's Influence in Regional, State and National Forums in Order to Advance City Goals and Secure Resources</b>		
5.a Increase San Jose's effectiveness in using regional agencies/forums to advance city goals and secure financing from regional, statewide, and national sources	CMO/OED/Regional Influence Team	On-going
5.b Continue to articulate the value of the Enterprise Zone to driving industry companies and work with local companies, associations, and agencies to bring these items to the attention of State elected officials in order to maintain the EZ	CMO/OED	Completed
5.c Provide a one voice approach on SB 375 implementation by actively influencing and shaping implementation of the Sustainable Communities Strategy and Regional Housing Needs Allocation	Planning/Housing/Regional Influence Team	Completed
<b>#6 Improve the Speed, Consistency, and Predictability of the Development Review Process, and Reduce Costs of Operating a Business in San Jose</b>		
<b>6.a* Working through the Mayor's Ad Hoc Committee on Economic Competitiveness, ensure the timely delivery of major development projects that can have a measureable impact on job creation or revenues within the next 18 months, including those that will generate tax increment, property tax revenues, or sales tax revenues</b>	<b>Mayor's Office/OED/Development Services</b>	<b>In Progress</b>
6.b Track the geographical relationship of priority development projects and major renovation/rehabilitation projects and provide assistance to developers regarding the unique attributes of the immediate area	OED/PBCE	On-going
<b>6.c* Retain and improve the Expedited Planning Permit and continue to reorganize and streamline the development review process</b>	<b>PBCE</b>	<b>On-going</b>
6.d Continue aggressive promotion of the Enterprise Zone, Foreign Trade Zone, Use Tax Incentive and Downtown Parking Incentive to reduce business operations costs, and pursue other state and federal assistance programs to support new development and business attraction and expansion	OED/DOT	Complete
<b>#7 Prepare Residents to Participate in the Economy Through Training, Education, and Career Support</b>		
7.a Create partnerships between employers, K-12, community colleges, pre-apprenticeship and apprenticeship programs, and institutions of higher learning. Examples include a system that can steer low-income people towards careers in the green economy	work2future	On-going
7.b Through work2future, provide occupational assessment and counseling services to people that advance to middle-income jobs through identification of both career ladders (sequential positions) and career lattices (transferable skills)	work2future	On-going
7.c Partner with public, private, and non-profit organizations, and continue to develop partnerships with San José State University, community colleges and other educational	work2future	On-going



institutions, to advance connection between academia and industry to support long term workforce supply		
<b>#8 Advance the Diridon Station Area as Key Transportation Center for Northern California</b>		
8.a Support Valley Transportation Authority (VTA) to extend BART service to Berryessa, Downtown San Jose and Diridon Station	DOT/OED/Planning	On-going
8.b Facilitate planning and future development of the California High Speed Rail project with service to Downtown San Jose	DOT/Planning	On-going
8.c Form a Joint Powers Authority for the advancements of the Diridon Station Area Plan	DOT/OED/Planning	On-going
<b>#9 Keep Developing a Competitive, World Class Airport, and Attract New Air Service</b>		
<b>9.a* Maintain a cost-competitive, efficient and attractive airport that can successfully compete with airports in the Bay Area and across the nation in recruiting carriers and flights to serve Silicon Valley</b>	<b>Airport</b>	<b>On-going</b>
<b>9.b* Execute strategy to recruit new international and domestic air service, in partnership with the Silicon Valley business community</b>	<b>Airport</b>	<b>On-going</b>
<b>9.c* Facilitate private-sector development of a new general aviation facility on the Airport's west-side property</b>	<b>Airport/OED</b>	<b>On-going</b>
<b>#10 Continue to Position Downtown as Silicon Valley's City Center</b>		
10.a Continue to create a vibrant and safe environment that attracts a diverse range of residents and visitors	PW/OED/PD	On-going
<b>10.b* Position Downtown San Jose as an easy-to-access, competitive work environment for start-ups, scaling businesses, and freelancers by highlighting our innovation and creativity</b>	<b>OED</b>	<b>On-going</b>
<b>10.c* Maintain a dialogue with existing downtown businesses, property owners and brokers to retain and grow and attract new businesses</b>	<b>OED</b>	<b>On-going</b>
10.d Provide oversight and enhance competitiveness and success of the San Jose Convention Center, Convention and Visitors Bureau and the City's Downtown Cultural Facilities as unique attributes of the downtown environment	OED/PW	On-going
10.e Continue to partner with the Downtown Association and downtown creative community on the "small wonders" workplan	OED/PD/CAO/Housing	On-going
<b>#11 Create More Walkable, Vibrant, Mixed-Use Environments to Spur Interaction and Attract Talent</b>		
11.a Develop an Implementation Plan to catalyze development in target mixed-use growth areas under the Envision 2040 General Plan and attract developers and resources	PBCE/Housing/DOT/PW/OED	In Progress
11.b Encourage neighborhood-serving retail that supports a diverse set of needs	OED/Planning	On-going
11.c Identify opportunities for public/private partnership to enhance the pedestrian environment in activity hubs	DOT/Planning/Housing/OED	On-going
<b>#12 Develop a Distinctive Set of Sports, Arts, and Entertainment, Offerings Aligned With San Jose's Diverse, Growing Population</b>		



<b>12.a* Enable construction of the San Jose Earthquakes major league Soccer Stadium on the Airport West property</b>	<b>OED</b>	<b>In Progress</b>
<b>12.b* Continue planning for Major League Baseball facility in the Diridon station area</b>	<b>OED</b>	<b>On-going</b>
12.c Support production of high-profile events and performances in San Jose in partnership with the San Jose Sports Authority, Team San Jose, and other private and non-profit sponsors	OED/OCA	On-going